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C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 013233

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E.O. 12958: DECL: 11/16/2016  
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SUBJECT: BALL IN SBY'S COURT ON REFORM UNIT

REF: JAKARTA 13173 (SHOWDOWN BETWEEN PRESIDENT AND VP)

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Classified By: Ambassador B. Lynn Pascoe, reasons 1.4 (B) AND (D).

#### SUMMARY

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1. (C) With Golkar's November 13-16 annual national leadership meeting as a backdrop, Vice President Jusuf Kalla publicly called for Golkar's continued support for the Yudhoyono administration and privately sought to mend fences with the President following last week's public feud over plans for a new government reform unit (REF A). Embassy contacts tell us the Vice President and Golkar have dropped their opposition to the "Presidential Unit for the Management of Reform Programs (UKP3KR)," reportedly with the expectation that Golkar would receive additional positions in an eventual cabinet reshuffle, and that UKP3KR's chair, Marsilam Simanjuntak, would be replaced. For his part, Marsilam Simanjuntak told the Ambassador in a November 15 meeting he found the UKP3KR's planned role to be "duplicative," noting other entities already existed to perform its function and said he would stand by for further instruction from the President before embarking on his new job. One of UKP3KR's two deputies, Edwin Gerungan, also told us he was waiting for confirmation the unit would proceed as planned before taking any action. Over three weeks have elapsed since the President's office first announced the formation of the work unit and the President has dedicated most of that time to muting Golkar's public objections to the group. With his largest political partner now apparently on board, if only half-heartedly, all eyes are on the President to see if he will use this group to push his reform agenda in earnest. End Summary.

#### KALLA RALLIES GOLKAR BEHIND THE GOVERNMENT

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2. (U) In comments to the media prior to the start of the the Golkar leadership meeting, Vice President Jusuf Kalla backed away from his criticism of the President's reform unit and indicated he would cooperate with the President on UKP3KR as it was his "prerogative" (Note: Kalla is also Golkar party Chairman. End Note). The comments set the tone for the meeting and effectively pre-empted Golkar factions interested in exploiting the issue to pull Golkar's support from the government. In his address to the party leadership at the beginning of the four day meeting, Kalla took it one step further, pledging his party's continued support for SBY and

the government. According to press reports, the Vice President characterized Golkar's relationship with the government as a "critical, supportive and objective one" and with a nod to his feud with the President, added "a small problem should not be exaggerated when airing criticisms."

13. (C) The Vice President's pre-emptive expression of support for the President seemed to muzzle most of the opposition within Golkar to a continued alliance with the government; it also ended discussion of the SBY-Kalla feud as a primary topic of discussion at the meeting. Of the 36 provincial delegations assembled for the meeting, ultimately only two called for the party to withdraw its support from the government. Despite this endorsement of his leadership, 12 of the regional delegations also signed a petition calling for Kalla to run for president in 2009, a move that highlighted the underlying tension between Kalla's conflicting roles as supportive Vice President and Golkar Chairman/party standard bearer.

GOLKAR SUPPORTS REFORM UNIT....FOR A PRICE  
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14. (C) Dave Laksono, a Golkar Deputy Treasurer, told us the Vice President and Golkar dropped their opposition to the reform unit following a November 9 meeting between SBY and Kalla. According to Laksono, the Vice President offered to end Golkar's opposition to the unit in exchange for the President's assurance Golkar would be considered for one or two additional cabinet seats in an eventual reshuffle, as well as his vow that Marsilam Simanjuntak would be removed as chair of the unit. The President reportedly agreed. Dadan Irawan, a member of the Golkar party's Central Board corroborated this account, with one small variation. Dadan told us the President would reward Golkar either with additional cabinet seats, or other, as yet undefined

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positions of influence.

UKP3KR WAITING FOR MARCHING ORDERS  
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15. (C) On November 15, the Ambassador called on Marsilam Simanjuntak for his perspective on UKP3KR's prospects. Marsilam briefly recounted the history of UKP3KR's evolution before noting the three Coordinating Ministers and the Secretary of the Cabinet already had the authority to carry

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out the unit's mandate. He said UKP3KR was duplicative and admitted to strong reservations about taking the job. He acknowledged the fact that SBY was hamstrung in his ability to replace ineffective cabinet personnel, but nevertheless shared his belief that the President should have replaced obstacles to reform rather than creating another layer of bureaucracy.

16. (C) Marsilam noted the controversy surrounding his appointment as UKP3KR's chief and seemed somewhat stunned by the ferocity of Golkar's opposition. He suggested the fact that he was Christian, not a member of Golkar, and an advocate for reform, accounted for most of the opposition. He evinced surprise at the personal nature of many of the attacks and said he was disappointed he was caught in the crossfire of the SBY-Kalla feud.

17. (C) Marsilam went out of his way to explain he accepted the job out of a desire to assist the presidency as an institution and not necessarily the President himself. He made frequent references to SBY's reputation for excessive cautiousness and commented that SBY would ultimately be responsible for whether or not UKP3KR could fulfill its mandate. UKP3KR had encountered stiff political resistance and Golkar was attempting to leverage the controversy for more cabinet seats. As a result, UKP3KR was in a holding

pattern, and he had no real sense for whether or not SBY would work to salvage the project.

18. (C) In a separate conversation with Edwin Gerungan, one of UKP3KR's deputies and the Chairman of the Board of Bank Mandiri, Gerungan also told us about the uncertainty surrounding UKP3KR. Gerungan said he was waiting for some indication the President would fight for UKP3KR and noted he would keep his "day job" with Bank Mandiri, an indication perhaps that even if the project does move forward, Gerungan would have a rather limited ability to contribute.

COMMENT

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19. (C) Having secured Kalla and Golkar's support for UKP3KR and defended the unit effectively and assertively, SBY would appear to have political room to use UKP3KR to push his reform plans; however, there is very little evidence that he is doing so. We have talked with two of the three individuals tapped to run UKP3KR and they are as uncertain about its prospects as anyone else. We will be watching to see if the President acts in the coming weeks to empower UKP3KR and revitalize a project that has been sidelined by political controversy. Simply inviting Marsillam to a cabinet meeting, or appearing with the three UKP3KR members in public would signal the project is back on track.

PASCOE